

**Town of Randolph  
Randolph, Utah**

**Financial Statements  
With Accountants' Compilation Report  
For the Year Ended June 30, 2005**

**Ulrich & Associates, PC  
Certified Public Accountants  
Ogden, Utah**

# Town of Randolph

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June 30, 2005

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# **Ulrich & Associates, PC**

*Certified Public Accountants*

## **ACCOUNTANTS' COMPILATION REPORT**

The Honorable Mayor and Members  
of the Town Council  
Town of Randolph  
Randolph, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Randolph as of and for the year ended June 30, 2005, which comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have compiled the supplementary information, from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Ulrich & Associates, P.C.*

January 4, 2006

Members of Utah Association of CPAs | American Institute of CPAs

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# **Town of Randolph**

## **Management's Discussion and Analysis**

**June 30, 2005**

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As management of the Town of Randolph, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Randolph for the fiscal year ended June 30, 2005.

### **Financial Highlights**

The total net assets of \$857,364 is made up of \$560,834 in capital assets less related debt of \$79,493, and other net assets of \$376,023.

In the Enterprise Fund, expenditures exceeded revenues by \$7,124. This includes a non-cash charge for depreciation of \$24,447.

Total long-term liabilities of the Town were reduced by \$16,585.

### **Reporting the Town as a Whole**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town of Randolph's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Randolph's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of the Town of Randolph's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Randolph is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Town of Randolph**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Both of the government-wide financial statements distinguish functions of the Town of Randolph that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Reporting the Town's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Randolph also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund and capital projects fund.

Proprietary funds - Town of Randolph maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Randolph uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, the water utility fund meets the criteria of major fund classification.

# Town of Randolph

## Management's Discussion and Analysis

June 30, 2005

### Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of the Town of Randolph, assets exceeded liabilities by \$857,364, an increase of \$75,799 over the prior year. This increase was largely due to an increase in franchise tax revenue. By far, the largest portion of the Town of Randolph's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment, etc). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2005	2004	2005	2004
Current and other assets	\$ 233,829	194,441	216,713	196,768
Capital assets	106,261	117,125	454,573	476,860
Total assets	<u>340,090</u>	<u>311,566</u>	<u>671,286</u>	<u>673,628</u>
Long-term debt outstanding	25,605	30,150	53,888	65,927
Other liabilities	7,799	7,653	66,720	49,899
Total liabilities	<u>33,404</u>	<u>37,803</u>	<u>120,608</u>	<u>115,826</u>
Net Assets:				
Invested in capital assets, net of debt	80,656	86,975	400,685	410,933
Restricted	73,326	57,596	7,030	11,275
Unrestricted	152,704	129,192	142,963	135,594
Total net assets	<u>\$ 306,686</u>	<u>273,763</u>	<u>550,678</u>	<u>557,802</u>

# Town of Randolph

## Management's Discussion and Analysis

June 30, 2005

### Changes in Net Assets

	Governmental Activities 2005	Business- Type Activities 2005
Revenues:		
Program revenues:		
Charges for services	\$ 6,563	49,868
Operating grants & contributions	20,304	-
General revenues:		
Property taxes	14,545	-
Other taxes	76,059	-
Interest income	1,552	763
Total revenues	<u>119,023</u>	<u>50,631</u>
Expenses:		
General government	52,954	-
Public safety	1,089	-
Highways/public improvements	25,538	-
Parks & recreation	5,109	-
Water & waste collection	203	54,767
Total expenses	<u>84,893</u>	<u>54,767</u>
Transfers	-	-
Interest expense	(1,206)	(2,988)
Increase (decrease) in net assets	<u>32,924</u>	<u>(7,124)</u>
Net assets, beginning of year	<u>273,762</u>	<u>557,802</u>
Net assets, end of year	<u><u>\$ 306,686</u></u>	<u><u>550,678</u></u>

### Financial Analysis of Government's Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

# Town of Randolph

## Management's Discussion and Analysis

June 30, 2005

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As of June 30, 2005, the Town's General Fund reported a fund balance of \$81,031. This represents an decrease of \$30,757 (2.75%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 76.1% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. Sales taxes are followed closely by property taxes which represent 39.4% and 12.2% of general fund revenues, respectively.

The Town maintains only one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in business-type activities include a \$12,039 decrease in debt due to regular principal payments.

### General Fund Budgetary Highlights

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$90,451 to a final budget of \$71,835 (20.58%). These decreases were made in response to a council decision not to spend funds on park projects in the current year.

### Capital Asset and Debt Administration

Capital assets - The Town of Randolph's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$5,036 of machinery and equipment. The total increase in the Town's investment in fixed assets for the current year was 5.58% (due to new purchases exceeding depreciation).

Major capital asset events during the current fiscal year included the following:

- \$1,377 for recreational equipment
- \$1,499 for a new general computer
- \$2,160 for a new fire hydrant



**Town of Randolph**  
**Management's Discussion and Analysis**  
**June 30, 2005**

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Town of Randolph's Capital Assets

	Governmental Activities 2005	Business- Type Activities 2005
Land	\$ 6,095	-
Buildings	70,944	-
Improvements	15,328	-
Distribution mains and reservoir	-	1,008,285
Machinery and equipment	159,166	30,237
Less: Accumulated depreciation	<u>(145,272)</u>	<u>(583,949)</u>
Total	<u>\$ 106,261</u>	<u>454,573</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

Long-term Debt

At June 30, 2005, the Town had total bonded debt outstanding of \$53,888. This debt is secured solely by specific revenue sources (i.e., revenue bonds).

At June 30, 2005, the Town had a capital lease outstanding in the amount of \$25,604. This debt is secured by machinery and equipment.

The Town's total debt decreased by \$16,585 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

## **BASIC FINANCIAL STATEMENTS**

# Town of Randolph

## Statement of Net Assets

June 30, 2005

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 157,123	201,172	358,295
Accounts receivable - net	8,737	15,541	24,278
Prepaid items	1,717	-	1,717
Due from other funds	66,252	-	66,252
Capital assets (net of accumulated depreciation):			
Land	6,095	-	6,095
Buildings	42,240	-	42,240
Improvements	1,686	452,593	454,279
Machinery and equipment	56,240	1,980	58,220
Total assets	340,090	671,286	1,011,376
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	7,799	468	8,267
Due to other funds	-	66,252	66,252
Note payable - current	4,727	-	4,727
Loan payable revenue bonds - current	-	12,650	12,650
Note payable - noncurrent	20,878	-	20,878
Loan payable revenue bonds - noncurrent	-	41,238	41,238
Total liabilities	33,404	120,608	154,012
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	80,656	400,685	481,341
Restricted for debt	-	7,030	7,030
Restricted for class C road	73,326	-	73,326
Unrestricted	152,704	142,963	295,667
Total net assets	\$ 306,686	550,678	857,364

See accompanying notes and accountants' compilation report.

# Town of Randolph

## Statement of Activities

For the Year Ended June 30, 2005

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 52,954	5,363	-	(47,591)	-	(47,591)
Public safety	1,089	-	-	(1,089)	-	(1,089)
Highways and public improvements	25,538	-	20,304	(5,234)	-	(5,234)
Parks and recreation	5,109	1,200	-	(3,909)	-	(3,909)
Sanitation	203	-	-	(203)	-	(203)
Total governmental activities	84,893	6,563	20,304	(58,026)	-	(58,026)
Business-type activities:						
Water utility	54,767	49,868	-	-	(4,899)	(4,899)
Total business-type activities	54,767	49,868	-	-	(4,899)	(4,899)
Total primary government	139,660	56,431	20,304	(58,026)	(4,899)	(62,925)
<b>General revenues:</b>						
Property taxes				14,545	-	14,545
General sales and use tax				46,927	-	46,927
Franchise tax				29,132	-	29,132
Net interest earnings (expense)				346	(2,225)	(1,879)
Transfers				-	-	-
Total general revenues				90,950	(2,225)	88,725
Change in net assets				32,924	(7,124)	25,800
Net assets - beginning, as adjusted				273,762	557,802	831,564
Net assets - ending				\$ 306,686	550,678	857,364

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	General Fund	Capital Projects Fund	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 12,123	145,000	157,123
Receivables (net):			
Taxes	8,737	-	8,737
Due from other funds	66,252	-	66,252
Prepaid items	1,717	-	1,717
Total assets	<u>88,829</u>	<u>145,000</u>	<u>233,829</u>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	6,385	-	6,385
Accrued payables	1,413	-	1,413
Total liabilities	<u>7,798</u>	<u>-</u>	<u>7,798</u>
Fund Balances:			
Reserved for:			
Roads	73,326	-	73,326
Unreserved, reported in:			
General fund	7,705	-	7,705
Capital projects fund	-	145,000	145,000
Total fund balances	<u>81,031</u>	<u>145,000</u>	<u>226,031</u>
Total liabilities and fund balances	<u>\$ 88,829</u>	<u>145,000</u>	<u>233,829</u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**June 30, 2005**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types:	\$ 226,031
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	106,260
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(25,605)
Net assets of government activities	<u>\$ 306,686</u>

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See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund	Capital Projects Fund	Total
<b><u>Revenues</u></b>			
Taxes	\$ 90,604	-	90,604
Licenses and permits	1,581	-	1,581
Intergovernmental	20,304	-	20,304
Charges for services	1,200	-	1,200
Interest	1,552	-	1,552
Miscellaneous revenue	3,782	-	3,782
Total revenues	119,023	-	119,023
<b><u>Expenditures</u></b>			
Current:			
General government	53,185	-	53,185
Public safety	-	-	-
Highways and public works	20,236	-	20,236
Parks and recreation	4,657	-	4,657
Sanitation	203	-	203
Capital outlay	1,499	-	1,499
Total expenditures	79,780	-	79,780
Excess revenues over (under) expenditures	39,243	-	39,243
<b><u>Other financing sources (uses):</u></b>			
Transfers in	-	70,000	70,000
Transfers (out)	(70,000)	-	(70,000)
Total other financing sources and uses	(70,000)	70,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(30,757)	70,000	39,243
Fund balances - beginning of year, as adjusted	111,788	75,000	186,788
Fund balances - end of year	\$ 81,031	145,000	226,031

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 39,243
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

(10,864)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

4,545

Change in net assets of governmental activities	<u><u>\$ 32,924</u></u>
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See accompanying notes and accountants' compilation report.



**Town of Randolph**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b><u>Revenues</u></b>				
Taxes	\$ 84,200	97,137	90,604	(6,533)
Licenses and permits	900	900	1,581	681
Intergovernmental	26,600	23,433	20,304	(3,129)
Charges for services	1,000	-	1,200	1,200
Grants	-	-	-	-
Interest	800	943	1,552	609
Miscellaneous revenue	-	10,442	3,782	(6,660)
Total revenues	<u>113,500</u>	<u>132,855</u>	<u>119,023</u>	<u>(13,832)</u>
<b><u>Expenditures</u></b>				
Current:				
General government	45,300	45,795	53,185	(7,390)
Public safety	500	643	-	643
Highways and public works	11,300	14,736	20,236	(5,500)
Parks and recreation	26,000	8,974	4,657	4,317
Sanitation	600	188	203	(15)
Capital outlay	6,751	1,499	1,499	-
Total expenditures	<u>90,451</u>	<u>71,835</u>	<u>79,780</u>	<u>(7,945)</u>
Excess revenues over (under) expenditures	<u>23,049</u>	<u>61,020</u>	<u>39,243</u>	<u>(21,777)</u>
<b><u>Other financing sources (uses)</u></b>				
Transfers (out)	<u>(15,000)</u>	<u>(86,500)</u>	<u>(70,000)</u>	<u>16,500</u>
Total other financing sources and uses	<u>(15,000)</u>	<u>(86,500)</u>	<u>(70,000)</u>	<u>16,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	8,049	(25,480)	(30,757)	(5,277)
Fund balances - beginning of year, as adjusted	<u>111,788</u>	<u>111,788</u>	<u>111,788</u>	<u>-</u>
Fund balances - end of year	<u>\$ 119,837</u>	<u>86,308</u>	<u>81,031</u>	<u>(5,277)</u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise <u>Water Utility</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 194,142
Accounts receivable - net	<u>15,541</u>
Total current assets	<u>209,683</u>
Noncurrent assets:	
Restricted cash and cash equivalents	7,030
Land, equipment, buildings and improvements	1,038,522
Less: accumulated depreciation	<u>(583,949)</u>
Total noncurrent assets	<u>461,603</u>
Total assets	<u><u>671,286</u></u>
<b><u>Liabilities and Net Assets</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	468
Due to other funds	66,252
Current portion revenue bonds	<u>12,650</u>
Total current liabilities	<u>79,370</u>
Noncurrent liabilities:	
Revenue bonds (net current portion)	<u>41,238</u>
Total noncurrent liabilities	<u>41,238</u>
Total liabilities	<u>120,608</u>
Net Assets:	
Investment in capital assets net of related debt	400,685
Restricted for debt reserve	7,030
Unrestricted	<u>142,963</u>
Total net assets	<u>550,678</u>
Total liabilities and net assets	<u><u>\$ 671,286</u></u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise <u>Water Fund</u>
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 49,041
Miscellaneous	<u>827</u>
Total operating revenues	<u>49,868</u>
<b><u>Operating Expenses</u></b>	
Salaries and wages	17,145
Maintenance and supplies	13,175
Depreciation and amortization	<u>24,447</u>
Total operating expenses	<u>54,767</u>
Operating income	<u>(4,899)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest revenue	763
Interest expense and fiscal charges	<u>(2,988)</u>
Total nonoperating revenues (expenses)	<u>(2,225)</u>
Change in net assets	(7,124)
Total net assets - beginning	<u>557,802</u>
Total net assets - ending	<u><u>\$ 550,678</u></u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<u>Water Fund</u>
<b><u>Cash flows from operating activities</u></b>	
Receipts from customers	\$ 47,311
Payments to suppliers	(13,499)
Payments to employees	(17,145)
Net cash provided (used) by operating activities	<u>16,667</u>
<b><u>Cash flows from non-capital financing activities</u></b>	
Increase in amount due to general fund	<u>17,145</u>
Net cash used by financing activities	<u>17,145</u>
<b><u>Cash flows from capital and related financing activities</u></b>	
Purchase of fixed asset	(2,160)
Principal paid on capital debt	(12,039)
Interest paid on capital debt	(2,988)
Net cash provided (used) by capital and related financing activities	<u>(17,187)</u>
<b><u>Cash flows from investing activities</u></b>	
Interest and dividends received	<u>763</u>
Net cash provided (used) by investing activities	<u>763</u>
Net increase (decrease) in cash and cash equivalents	17,388
Cash and cash equivalents - beginning	<u>183,784</u>
Cash and cash equivalents (deficit) - end	<u><u>\$ 201,172</u></u>
<b><u>Reconciliation of operating income to net cash provided (used) by operating activities:</u></b>	
Operating income	<u>\$ (4,899)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	24,447
(Increase)/decrease in accounts receivable	(2,557)
Increase (decrease) in accounts payable	(324)
Total adjustments	<u>21,566</u>
Net cash provided (used) by operating activities	<u><u>\$ 16,667</u></u>

See accompanying notes and accountants' compilation report.

## **NOTES TO FINANCIAL STATEMENTS**

**Town of Randolph**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The Town is a municipal corporation governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

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**Note 1 - Summary of Significant Accounting Policies - Continued**

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the town.

The Town reports the following major proprietary fund:

The *water fund* accounts for the operations of the Town's water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

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**Note 1 - Summary of Significant Accounting Policies - Continued**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.



**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

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**Note 1 - Summary of Significant Accounting Policies - Continued**

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the Town monthly.

Franchise taxes are collected by the telephone operations and are remitted to the Town monthly.

**3. Restricted cash and cash equivalents**

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

**4. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	30
Vehicles	5
Equipment	7

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 1 - Summary of Significant Accounting Policies - Continued**

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund equity/Net assets

Contributed capital is recorded in proprietary funds that have received capital contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Note 2 - Reconciliation of Government-wide and Fund Financial Statements**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 251,533
Accumulated depreciation	(145,272)
Total difference	<u>\$ 106,261</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 2 - Reconciliation of Government-wide and Fund Financial Statements - Continued**

B. Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 2,876
Depreciation expense	(13,740)
Net difference as reported	<u>\$ (10,864)</u>

**Note 3 - Stewardship, Compliance, and Accountability**

**Budgetary information**

Budgets are prepared and adopted, in accordance with State law, by the Town of Randolph Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and enterprise funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 4 - Detailed Notes on all Funds**

**Deposits and investments**

The Town maintains cash accounts with local institutions only. The Town has no other investments.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the Town had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	<u>\$ 357,269</u>
	<u>\$ 357,269</u>

*Custodial credit risk - Deposits* . In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$257,269 of the \$357,269 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Captions on the statement of net assets related to cash and investments are as follows:

Cash and cash equivalents	\$ 351,265
Restricted assets:	
Cash and cash equivalents	<u>7,030</u>
	<u>\$ 358,295</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 4 - Detailed Notes on all Funds - Continued**

**Receivables**

Receivables as of year end for the government's general and enterprise funds are as follows:

	General	Enterprise	Total
Accounts	\$ -	15,541	15,541
Property tax	438	-	438
Sales tax	3,252	-	3,252
B & C road revenue	4,223	-	4,223
Franchise tax	824	-	824
	<u>\$ 8,737</u>	<u>15,541</u>	<u>24,278</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**Capital assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 6,095	-	-	6,095
Total capital assets not being depreciated	<u>6,095</u>	<u>-</u>	<u>-</u>	<u>6,095</u>
Capital assets being depreciated:				
Buildings	70,944	-	-	70,944
Improvements	15,328	-	-	15,328
Machinery and equipment	156,290	2,876	-	159,166
Total capital assets being depreciated	<u>242,562</u>	<u>2,876</u>	<u>-</u>	<u>245,438</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 4 - Detailed Notes on all Funds - Continued**

<u>Capital assets - continued</u>	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Less accumulated depreciation for:				
Buildings	27,285	1,419	-	28,704
Improvements	13,126	516	-	13,642
Machinery and equipment	91,121	11,805	-	102,926
Total accumulated depreciation	131,532	13,740	-	145,272
Total capital assets, being depreciated, net	111,030	(10,864)	-	100,166
Governmental activities capital assets, net	<u>\$ 117,125</u>	<u>(10,864)</u>	<u>-</u>	<u>106,261</u>
Business-type activities:				
Capital assets being depreciated:				
Distribution mains and reservoir	1,008,285	-	-	1,008,285
Machinery and equipment	28,077	2,160	-	30,237
Total capital assets being depreciated	1,036,362	2,160	-	1,038,522
Less accumulated depreciation for:				
Distribution mains and reservoir	531,425	24,267	-	555,692
Machinery and equipment	28,077	180	-	28,257
Total accumulated depreciation	559,502	24,447	-	583,949
Total capital assets, being depreciated, net	476,860	(22,287)	-	454,573
Business-type activities capital assets, net	<u>\$ 476,860</u>	<u>(22,287)</u>	<u>-</u>	<u>454,573</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 4 - Detailed Notes on all Funds - Continued**

Capital assets - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 1,146
Public safety	1,089
Highways and public improvements	11,053
Parks and recreation	452
Total depreciation expense -governmental activities	<u>13,740</u>

Business-type activities:

Water fund	<u>24,447</u>
Total depreciation expense - business-type activities	<u>24,447</u>

Total depreciation expense	<u><u>\$ 38,187</u></u>
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Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2005 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 66,252	-
Water fund	-	66,252
	<u>\$ 66,252</u>	<u>66,252</u>

Interfund receivables and payables are help with expenditures during the year which exceed revenues. The intent is for the funds to pay back these accounts with revenues from the next fiscal year.

Interfund Transfers:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ (70,000)
Capital Projects	70,000	-
	<u>\$ 70,000</u>	<u>\$ (70,000)</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 4 - Detailed Notes on all Funds - Continued**

**Capital lease**

The Town has entered into a lease agreement as lessee for financing the acquisition of a backhoe loader. This lease agreement qualifies as an capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Assets:	General Fund
Machinery & equipment	\$ 65,900
Less: accumulated depreciation	(18,828)
Total	<u>\$ 47,072</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Year Ending June 30	Governmental Activities
2006	5,752
2007	5,752
2008	5,752
2009	5,751
2010	<u>5,751</u>
Total minimum lease payments	28,758
Less: amount representing interest	<u>(3,153)</u>
Present value of minimum lease payments	<u>\$ 25,605</u>

**Revenue bonds**

The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the State of Utah Water Resources water revenue bond was \$80,000 with annual installments of \$10,360 beginning January 1, 1996, due in 2006. The original debt of the GMAC mortgage water revenue bond was \$63,773 with monthly installments of \$411 beginning July 1, 1996, due in November of 2017. Revenue bonds outstanding at year end are as follows:



**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

**Note 4 - Detailed Notes on all Funds - Continued**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
State of Utah Water Resources	5.00%	\$ 9,858
GMAC Mortgage	5.00%	44,030
		<u>\$ 53,888</u>

Revenue bond debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	12,650	2,907
2007	2,936	1,996
2008	3,086	1,846
2009	3,244	1,688
2010	3,410	1,522
2010-2015	19,850	4,810
2016-2019	8,712	431
Total	<u>\$ 53,888</u>	<u>15,200</u>

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-type activities:					
Bonds payable:					
Water revenue bonds	\$ 65,927	-	(12,039)	53,888	12,650
Total bonds payable	<u>\$ 65,927</u>	<u>-</u>	<u>(12,039)</u>	<u>53,888</u>	<u>12,650</u>
Governmental activities:					
Notes payable	\$ 30,150	-	(4,545)	25,605	4,727
Total notes payable	<u>\$ 30,150</u>	<u>-</u>	<u>(4,545)</u>	<u>25,605</u>	<u>4,727</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2005**

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**Note 5 - Other Information**

**Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

There are a few potential lawsuits in which the Town is involved. The Town's attorney estimates that the potential claims against the Town resulting from such litigation not covered by insurance would not materially affect the financial statements of the Town.

**Prior Period Adjustment**

The net assets in the statement of assets was adjusted by the following amounts:

A prior period adjustment was made in the general fund to create a capital projects fund as intended by the Town for the fiscal year ending June 30, 2004 in the amount of \$75,000.

An additional prior period adjustment was made in the general fund for an error in calculation of accumulated depreciation in the amount of \$50,000.

The cumulative effect of the above adjustments is a decrease of fund balance in the general fund of \$25,000 and an increase in the capital projects fund balance of \$75,000. The overall effect on governmental funds of \$50,000 increase in fund balance.